

Message Text

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PAGE 01 JAKART 02885 060810Z
ACTION EA-12

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-11 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 /119 W
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R 060714Z MAR 78
FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 7226
INFO AMEMBASSY BANGKOK
AMCONSUL HONG KONG
AMEMBASSY KUALA LUMPUR
AMEMBASSY MANILA
AMCONSUL MEDAN
AMEMBASSY SINGAPORE
AMEMBASSY SURABAYA
AMEMBASSY TOKYO

C O N F I D E N T I A L JAKARTA 2885

HONG KONG FOR TREASURY ATTACHE SHARPE

E.O. 11652: GDS
TAGS: ENRG, ID, EALR
SUBJECT: INDONESIAN PETROLEUM SECTOR OUTLOOK, 1978

REF: JAKARTA 2155

1. EMBASSY WISHES CLARIFY THAT INDONESIAN PETROLEUM PRODUCTION
FORECAST CONTAINED REFTEL IS FOR INDONESIAN FISCAL YEAR THAT
RUNS APRIL 1, 1978-MARCH 31, 1979, SO AS TO BE DIRECTLY COM-
PARABLE WITH PERTAMINA'S PRODUCTION ESTIMATES USED IN PREPARING
GOI'S BUDGET.

2. FOLLOWING PARAGRAPH ON FOREIGN MARKETING IS ADDENDUM TO
REFTEL.

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3. FOREIGN MARKETING: THE OUTLOOK FOR INDONESIA'S CRUDE OIL
SALES ON U.S. WEST COAST MAY BE LESS FAVORABLE IN 1978 THAN IT
WAS IN 1977 WHEN CALIFORNIA DROUGHT LOWERED HYDROELECTRIC
PRODUCTION AND FOLLOWING CANADA'S REDUCTION OF OIL EXPORTS
TO AREA. IN 1978 SEVERAL POTENTIAL ITEMS LOOM ON THE
HORIZON TO THREATEN INDONESIA'S WEST COAST MARKET SHARE,

INCLUDING AVAILABILITY OF NORTH SLOPE OIL, INCREASED
HYDRO PRODUCTION, CONTINUED CONSERVATION AND POSSIBLE
APPEARANCE OF QUALITY COMPETITIVE PRICE DISCOUNTED NORTH
AFRICAN CRUDES. PERTAMINA IS ALREADY EXPERIENCING SOME
DIFFICULTY IN PLACING MINAS CRUDE ON WEST COAST, ALTHOUGH
SITUATION HAS NOT REACHED POINT WHERE PRODUCTION NEED BE
REDUCED TO BALANCE SUPPLY AND DEMAND. SEVERAL ASIA/PACIFIC
MARKETS FOR INDONESIAN OIL MAY GROW IN 1978, WITH
AUSTRALIA, THE PHILIPPINES, SOUTH KOREA, THAILAND AND
VIETNAM MOST LIKELY TO CONCLUDE NEW PETROLEUM PURCHASES
FROM INDONESIA. IN THE CASE OF THAILAND AND VIETNAM AT
LEAST, INDONESIAN IMPORTS OF RICE MAY BE PART OF ARRANGE-
MENTS. THESE POSSIBLE NEW SALES ARE NOT INTENDED TO
REPLACE INDONESIA'S WEST COAST MARKET AND PERTAMINA CAN
BE EXPECTED TO TRY AND HOLD ITS POSITION THERE. FIRST
LINE OF DEFENSE MAY BE TO ASK FOREIGN CONTRACTORS TO
MARKET OIL PERTAMINA HAS DIFFICULTY PLACING. WHETHER
INDONESIA WOULD BE WILLING TO DISCOUNT ITS CRUDE IN ORDER
HOLD ITS MARKET SHARE IS OPEN QUESTION. SOME PERTAMINA
OFFICIALS ARE ALREADY TALKING ABOUT THIS POSSIBILITY,
BUT IDEA IS FIRMLY RESISTED AT GOVERNMENT LEVEL, ESP-
ECIALLY IF LOWER PRICE WOULD ALSO BE EXTENDED TO JAPANESE
MARKET WHERE DEMAND FOR INDONESIAN CRUDE REPORTEDLY IS
STILL BUOYANT.
MASTERS

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